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GOVERNMENT OF INDIA
FINANCE DEPARTMENT
NOTIFICATION

New Delhi, the 2nd August 1947

REPORT OF THE CENTRAL BOARD OF DIRECTORS OF THE RESERVE BANK OF INDIA FOR THE YEAR 1ST JULY 1946—30TH JUNE 1947

No. F.6(33)-F.I/47.—In accordance with Section 14 of the Reserve Bank of India Act, 1934, the Central Board of Directors presents to the Shareholders this Annual Report and the Accounts of the Bank for the thirteenth accounting period beginning on the 1st July, 1946 and ending on 30th June, 1947.

ANNUAL ACCOUNTS

After payment of expenses of administration and provision for sundry liabilities and contingencies the net profit amounts to	Rs.	As.	Ps.
	8,02,27,309	15	11

Of this amount the sum of	Rs.	As.	Ps.
will be utilised for payment to shareholders of a dividend at the rate of 3½ per cent per annum being the cumulative rate fixed by the Central Government in accordance with Section 47 of the Reserve Bank of India Act 1934. Under the Reserve Bank of India (Limitation of Dividend) Ordinance of 1943 (reprinted as appendix A to the report for the ninth accounting year ended 30th June, 1943) which continues to be in force, the rate at which the dividend on the share capital of the Reserve Bank may be paid by the Bank to shareholders is limited to a maximum of 4 per cent. The additional dividend payable is therefore limited to ½ per cent per annum equivalent to	17,50,000	0	0

leaving a surplus of	Rs.	As.	Ps.
for payment to the Central Government in accordance with the said section as modified by the Ordinance	7,82,27,309	15	11

Auditors.—The accounts of the Bank have been audited by Messrs. S. B. Billimoria & Co. of Bombay, Mr. P. K. Ghosh of Calcutta and Messrs. Sastri and Shah of Madras who were elected as auditors of the Bank by the shareholders at their meeting held at Madras on 5th August, 1946 in accordance with Section 50(1) of the Reserve Bank of India Act, 1934. The present auditors, being eligible, offer themselves for reappointment.

Constitution of the Central Board.—In accordance with subsection 1(a) of Section 8 of the Act, on the recommendation of the Central Board, the Central Government by a notification dated 16th July, 1946, appointed Mr. M. G. Mehri to be a Deputy Governor of the Bank in the vacancy caused by the death of Mr. Wajahat Hussain, C.I.E. The Directors representing the Eastern (Calcutta) Area Local Board were due to retire on 31st December 1946 under subsection 4 of Section 8 of the Act, and an election of the members of that Board was held in November 1946. Subsequently at a meeting of the elected members of the Local Board held in Calcutta on 18th December 1946, Mr. B. M. Birla and Mr. K. P. Goenka were elected under subsection 5 of Section 9 of the Act as Directors of the Central Board to represent the shareholders of the Eastern (Calcutta) Area Local Board.

Mr. P. B. Bhow, an elected Director representing the Burma (Rangoon) Area resigned on 5th September, 1946 his office as

Director of the Central Board and member of the Local Board Rangoon area, consequent on his nomination as a member of the Burma Legislative Council. In view of the severance of the connection between Burma and the Reserve Bank of India consequent on the termination with effect from 1st April, 1947 of the India and Burma (Burma Monetary Arrangements) Order, 1937, the elective Directorship of the Rangoon Register was abolished and, in lieu thereof, a new elective seat was allocated to the Southern (Madras) Area. The filling in of this vacancy has been held in abeyance pending the forthcoming election of the Southern (Madras) area Local Board in November-December 1947.

Meetings of the Central Board and its Committee.—During the year under report, six meetings of the Central Board were held, of which three were in Bombay, two in Delhi and one in Madras. The Committee of the Central Board met fifty-two times in Bombay, and once each in Delhi and Madras.

Local Boards.—As stated above, there was one Local Board election during the year in Eastern (Calcutta) Area in November 1946, preliminary to the election of Directors for that Area. Mr. B. M. Birla, Dr. N. N. Law, Rai Mooghtulall Tapuriah Bahadur, Mr. A. K. Ghose and Mr. K. P. Goenka were returned unopposed. Khan Bahadur Habibur Rahman Choudhury, Mr. Alec Leslie Cameron and Mr. Debes Chandra Ghosh were nominated by the Central Board to be members of that Local Board, and all the members assumed office on 18th December, 1946.

Distribution of Shares between the various areas.—The following table indicates the trends in the distribution of the Bank's shares as between the different areas:

	Distribution of Shares as on			
	1st April 1935	31st December 1936	30th June 1946	30th June 1947
Bombay	1,40,000	1,89,838	2,36,321	2,36,629
Calcutta	1,45,000	1,31,423	1,24,629	1,26,318
Delhi	1,15,000	97,314	79,220	78,955
Madras	70,000	61,217	51,042	49,660
Rangoon	30,000	20,208	8,788	8,438
TOTAL	5,00,000	5,00,000	5,00,000	5,00,000

	Number of Shareholders as on			
	1st April 1935	31st December 1936	30th June 1946	30th June 1947
Bombay	28,000	22,342	17,968	17,362
Calcutta	23,890	15,571	10,590	10,457
Delhi	23,000	16,744	10,589	10,317
Madras	14,000	9,702	6,610	6,392
Rangoon	3,157	1,914	535	503
TOTAL	92,047	66,273	45,692	45,031

Average number of shares held by each shareholder	5.4	7.5	10.9	11.1
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The year under review showed a further decline in the total number of shareholders from 45,492 on 30th June, 1946 to 45,031 on 30th June, 1947. The tendency noticed since 1944 for the number of shares on the registers of the Bombay and Calcutta Areas to expand at the expense of the remaining areas continued; the latter area recorded a large rise of 1,939 as against a comparatively smaller increase of 308 in the former. The number of shares on the Madras and Delhi registers showed declines of 1,382 shares and 265 shares respectively.

Notes and Coin.—During the accounting year under review, no alterations were made in respect of number, size, colour etc., of notes of various denominations (including the Government of India one rupee notes) issued by the Bank.

In the last year's Report, mention was made of the introduction by the Government of India of half and quarter rupee coins minted in pure nickel and also of the discontinuance of the issue from June 1946 of the quaternary rupee coin, with a view to introducing the nickel rupee. As the Indian Coinage Act of 1908, however, did not permit the minting of coins higher than eight anna pieces in a metal other than silver, Government introduced in the Central Assembly on 17th February, 1947 a Bill to amend that Act so as to authorise them to issue all coins including the rupee in any metal. The Bill was passed on 10th April, 1947 and received the Governor-General's assent on 18th April, 1947. Under the authority thus taken, Government issued on 24th May, 1947 two notifications, authorising the minting of rupee coin in pure nickel and these rupees were first issued on 2nd June, 1947. They are similar in design to the pure nickel half and quarter rupees and are of the same weight as the quaternary rupee coins (*viz.*, 180 grains troy), though slightly smaller in diameter.

Demonetisation of High Denomination Notes.—Applications for the exchange of high denomination notes demonetised under the High Denomination Bank Notes (Demonetisation) Ordinance of 12th January, 1946, continued to be received during the major part of the year under review and were dealt with by the Government of India, the Reserve Bank of India effecting exchanges in such cases as were approved by Government. Arrangements were also made with the British Consular Authorities in foreign countries and Central Banks in countries like the United States, Canada and South Africa for the exchange of holdings, if any, of high denomination notes belonging to persons residing in those countries. In view of the ample time already given to all *bona-fide* holders of high denomination notes to exchange their holdings, the Government of India announced in a press note on 28th February, 1947 that no further claim would be received after that date. Out of a total of Rs. 143.97 crores of high denomination notes in circulation on 11th January, 1946, notes of the value of Rs. 134.90 crores were exchanged up to the end of the accounting year under review.

Termination of Joint Monetary Arrangements with Burma.—Early in 1945, when the South East Asia Command assumed charge of the liberated areas in Burma, currency affairs in Burma were placed in charge of the British Military Administration in Burma. The Rangoon office of the Reserve Bank of India, which had temporarily moved to India in 1942, was reopened in Rangoon on 20th August, 1945 and was appointed bankers to the Military Administration. The responsibility for the management of the currency, however, continued to be with the Military Administration, the Bank carrying out certain administrative functions in respect of the note issue. Following the termination of the military regime on 31st January, 1946, the Government of Burma took over responsibility for the note issue in Burma, the Reserve Bank continuing to act as Government's agent in currency matters and as banker to Government and other banks. The currencies of India and Burma, however, continued to be linked together as before the war under the India and Burma (Burma Monetary Arrangements) Order, 1937. In June 1946, the Government of Burma decided to sever this currency link and to establish an independent currency to be managed by a Currency Board in London with effect from 1st April, 1947. Authority was taken by an Order-in-Council in August 1946 to amend the India and Burma (Burma Monetary Arrangements) Order, 1937, with a view to terminating the joint monetary arrangements with India on six months' notice. This notice, served on the Governor-General on 1st October, 1946, expired on 31st March, 1947, and with it the currency

system of Burma was delinked from that of India. In order to enable the Reserve Bank of India to wind up its affairs in Burma, the Reserve Bank of India (Amendment) Act, 1947 was passed in March 1947, providing for the deletion of all references to Burma in the Reserve Bank of India Act, 1934. The Reserve Bank's office in Rangoon formally ceased to function in that country from 1st April 1947.

Publication of Currency Report.—The Bank's Report on Currency and Finance for the year ended 31st March, 1947 is to be issued shortly. The Report deals with the economic and financial conditions in the country, the Government finances and, in a new chapter added this year, also with some of the important economic and financial developments abroad, in greater detail than this Report which is intended primarily to review the Bank's working during the accounting year.

General Economic Conditions.—During this second post-war year, reconversion to a peace economy continued to be the major economic problem, the pace of transition being rather slow and halting. The pre-occupation of Government with constitutional changes also gave an air of unreality to some of its measures in the economic sphere, especially planning. The persisting maladjustments in the various sectors of the country's economy continued, and production actually declined in the more important industries, the main factors accounting for this, besides the widespread disorders in the country, being the virtual non-availability of capital goods, the frequent strikes and labour unrest and the uncertainty of Government's policy in regard to various important controls. Acute shortages of essential consumer goods continued, resulting in rising prices and costs of living and the prevention of a further inflationary rise in prices presented itself as the primary problem. Government continued to withdraw excess purchasing power in the hands of the community by continuing to encourage the small savings movement; and the reduction in Defence requirements enabled them to release for civilian production and consumption larger supplies of essential raw materials and consumer goods. The import control was relaxed for a time with a view to augmenting the flow of goods from foreign countries, and the procedure for the issue of import licences and for dealing with application for the import of capital goods was considerably simplified. With the expiry of the Defence of India Act on 30th September, 1946, a majority of the war-time controls including the Hoarding and Profiteering (Prevention) Ordinance of 1945 and the Consumer Goods (Control and Distribution) Order of 1944 were allowed to lapse. Government set up in February 1947 the Commodities Prices Board, which is to keep under review the movements of commodity prices and advise Government in regard to price levels for controlled commodities as also on the question whether other commodities also should be brought under control. Besides the rising price level the food situation continued to cause grave anxiety; the failure of some of the principal food crops rendered the country's overall position precarious and the threatened crisis was only tided over, partly by drastic reduction in ration and partly through imports towards the cost of which subsidy amounting to nearly Rs. 20 crores had been granted by Government in the revised budget for 1946-47. In order to cover the annual estimated deficit in food grains of 4 to 5 million tons, the "Grow More Food Campaign" which has been working since 1942 is to be continued for the next few years, by the end of which self-sufficiency in the matter of food on the basis of the existing levels of population and ratio is expected to be achieved. Action taken by Government in pursuance of their plan of post-war economic development included the acquisition of the Hindustan Aircraft Factory at Bangalore as a nucleus for building up an aircraft industry for India, the construction of an Ammonium Sulphate Factory at Sindri in Bihar estimated to produce annually about 350,000 tons of this valuable fertilizer and initiation of a special Housing Scheme for coal miners. Centre paying a subsidy of 20% of the cost of the house subject to a maximum of Rs. 400 per house. In November 1946, a bill for the establishment of an Industrial Finance Corporation was introduced as outlined by the Prime Minister in his budget speech for 1946-47. It is now recognised that the provision of credit "for medium long-term capital requirements of industry falls outside the normal activities of commercial banks while in certain of the usual methods of capital issue are not wholly practical or suitable. The proposed Corporation is expected to fill this lacuna. It will have a share capital of Rs. 5 crores subscribed by the Central Government, the Reserve Bank

India, Scheduled Banks, Insurance Companies, Investment Trusts and other financial institutions. The shares will be guaranteed by the Central Government as to the repayment of the principal and the payment of dividend not exceeding 2½ per cent per annum. The Corporation is expected to make long-term loans to industrial undertakings, repayable within a period not exceeding 20 years, and will also underwrite the issue of shares and debentures, subject to certain conditions. The Planning Advisory Board appointed by Government in October 1940, submitted its report in February 1941, which recommended, among other things, the establishment of a whole-time non-political Planning Commission assisted by a Scientific Consultative Committee, a Permanent Land Board, a Central Statistical Office and a Consultative Body representing Provinces and States, Agriculture, Industry etc.

Commodity Prices.—As regards price movements, the Economic Adviser's general index number of wholesale prices (base—week ended 16th August, 1938=100) rose from 210.1 in July 1940 to 263.3 in May 1941, the pace of the rise being generally quicker after September 1940, following the relaxation of most of the controls. The maximum rise was recorded under the group 'Chief Articles of Export', and the minimum under 'Manufactured Articles', unlike during the early and peak periods of the war when the latter took the lead in the inflationary trend. The index for 'Chief Articles of Export' sharply increased from 233.0 in July 1940 to 321.4 in March 1941, while 'Manufactured Articles' rose from 200.0 to 211.6 between July 1940 and May 1941. The group index for 'All Primary Commodities' rose from 215.7 in July 1940 to 230.2 in May 1941, mainly as a result of an advance in the 'Agricultural Commodities' group from 305.8 in July to 305.7 in May. The 'Food Index' (base—week ended 20th August, 1938=100) showed a sharp rise (from 248.2 in July to 290.8 in April 1941), in spite of a heavy subsidy from Government in respect of imported foodgrains, while the index number of 'Industrial Raw Materials' showed a rise from 230.1 in July 1940 to 302.0 in May 1941. The steep rise in prices in the United States, the general prevalence of a sellers' market abroad, and the relaxation of export regulations mainly accounted for the rise in the last two groups.

Balance of Trade.—The movements in the foreign sea-borne trade of India during the year were primarily influenced by changes in Government's import and export control policy. During the early part of the year, Government relaxed the rigour of import controls as well as exchange regulations in order to bring about a freer flow of goods into the country. A universal Open General Licence No. VIII was introduced in September 1940, facilitating the import from any source of a specified list of goods. Further, a large variety of goods was brought under Open General Licence No. VII, permitting the import of specified goods free of licence from the British Empire countries in the sterling area. The full effects of this relaxation were not felt, however, till the first quarter of 1941, when imports mostly of non-essential goods began to arrive in very large quantities. The imperative need for conserving the limited exchange resources of the country to secure the supply of urgently required capital goods in the face of the continued drain caused by the large purchases of food from abroad demanded reconsideration of the Government's import policy and revision of its regulations during the second half of the year. Early in March, 1941, the universal Open General Licence No. VIII was suspended, and the Reserve Bank ceased issuing licences for the import of gold and silver which had increased appreciably during the first quarter of 1941. During May, Open General Licence No. VII was superseded and replaced by a new Open General Licence No. IX covering a small number of commodities. Government also cancelled forthwith Open General Licences Nos. I and III applicable to imports from Ceylon, Portuguese Possessions and other foreign areas contiguous to the land frontiers of India. Export controls in respect of essential raw materials were administered with the object of providing for the expanding needs of domestic industries, meeting the essential minimum requirements of countries dependent on India for their supplies and developing new or maintaining old export markets. The incentives offered for the expansion of food crops in the country operated restrictively on the production of some of the cash crops for exports, and necessitated the relaxation of export controls only gradually and in respect of such articles which were actually in excess of domestic needs. The requisite peace-time powers to regulate the foreign trade of the country for a period of three years were assumed by Government with

effect from 25th March, 1941 under the Imports and Exports Control Act, 1941.

During the year, commercial and financial relations were resumed with the following ex-enemy countries: Siam, Indo-China, Hungary, Austria and Poland.

The total value of the foreign sea-borne trade of India (private merchandise) for the nine months ended March 1941 amounted to Rs. 480.8 crores as against Rs. 391.8 crores for the corresponding period ended March 1940, recording an expansion of Rs. 89.0 crores. The value of imports went up by 50 per cent from Rs. 178.2 crores to Rs. 259.9 crores, as a result of the liberal import policy pursued by Government during the early part of the year. Exports recorded a moderate improvement from Rs. 213.6 crores to Rs. 240.8 crores or an increase of 13 per cent. The balance of trade was very slightly favourable by Rs. 0.9 crores as against the surplus of Rs. 30.4 crores during the corresponding period in the previous year. The figures available for the six months ended December 1940 showed a marked change in the composition of the import trade. While imports of 'Manufactured Articles' and 'Food, Drink and Tobacco' increased sharply from Rs. 45.0 crores and Rs. 11.9 crores respectively to Rs. 83.0 crores and Rs. 43.1 crores, imports of 'Raw Materials' declined from Rs. 80.0 crores to Rs. 40.6 crores. Under exports, the value of 'Food, Drink and Tobacco' and 'Raw Materials' remained almost unchanged, while that of 'Manufactured Articles' improved from Rs. 62.9 crores to Rs. 61.3 crores.

Exchange.—In the rupee-sterling exchange market, banks' quotations for telegraphic transfers remained unchanged throughout the year at Rs. 0-31/32d. selling and Rs. 0-1/32d. buying. Following continual demands from exporters in Calcutta for cover against forward sales of jute goods, banks requested the Reserve Bank to extend its buying rate beyond six months. While declining to do this, the Reserve Bank undertook to extend any forward purchase contracts made with banks for further periods of six months at a time at a penalty of 1/64d. In view of this undertaking, banks extended their buying rates for delivery from nine months up to one year, the telegraphic transfers' buying rate for the last three months being raised to Rs. 0-1/10d. as against the rate of Rs. 0-1/32d. for the first nine months. During the year, the Reserve Bank continued to buy sterling telegraphic transfers from banks for delivery within six months at Rs. 0d. and to sell for ready delivery at Rs. 0-03/64d. To assist banks in meeting the demand for forward sterling occasioned by public uncertainty as to the declaration of the par value of the rupee to the International Monetary Fund, the Reserve Bank commenced selling sterling telegraphic transfers for delivery up to six months at Rs. 0-31/32d., maintaining the ready rate unchanged. Consequently, banks in turn lowered their forward selling rates for sterling telegraphic transfers for delivery within six months to Rs. 0-13/64d. maintaining the existing rates for ready delivery at Rs. 0-31/32d. The net sales during the year of sterling by the Reserve Bank amounted to Rs. 20,141,013-11-1 as compared with net purchases of Rs. 21,003,110-8-2 in the preceding year.

Exchange Control.—There were no changes during the year in the principles on which Exchange Control was operated. The sterling area system, according to which payments to persons resident in other sterling area countries were allowed freely, continued; and transactions with persons in other countries were subject to restrictions.

The main changes in the United Kingdom regulations affecting Indian trade were the provision of facilities freely, for the conduct of business in sterling with merchants resident in a country other than that for which goods were intended or from which they originated; and secondly for the conduct of trade between two non-sterling area countries through sterling area intermediaries. The Bank of England also established a system of 'transferable accounts' in Belgium, Holland, Portugal and Brazil, under which the monetary authorities in these countries nominated in sterling accounts of some of their banks as 'transferable' and undertook that all transactions passing through such accounts would be limited to current payments. A step towards making sterling immediately convertible (preparatory to the fulfilment of the United Kingdom's commitment in this respect as from 10th July, 1941) was taken when the Bank of England agreed to allow transfers to take place

between the "transferable" accounts of Argentina, Canada, the United States sterling accounts and those of Belgium, Holland, Portugal and Brazil.

The signing of the Anglo-U.S. Loan Agreement in July 1946 and the establishment of the International Monetary Fund were among the year's developments having a significant bearing on the working of the present exchange control system in India. The Foreign Exchange Regulation Act, which came into force on 25th March, 1947, conferred wide powers on the Central Government and the Reserve Bank in respect of transactions in foreign exchange and securities, import and export of bullion and currency notes. The new Act which supersedes the Defence of India Rules confers powers to restrict the freedom of transfer between India and other countries even in the sterling area, if necessary, though, through notifications issued by the Bank on the day the Act came into operation, retention of the general permission for payments within the sterling area had been announced.

Sanction for travel was given on a more liberal scale, though the limit previously fixed for business travel remained. Facilities for the grant of foreign exchange to students were increased and extended to students of all ages and not only to post-graduates taking technical or scientific courses. A more liberal allowance for personal reasons was also found possible, the limit of £ 75 per annum having, however, to be maintained for countries the supply of whose currencies was unduly difficult.

It was also found possible during the year to give greater facilities to travellers to and from Burma. Refugees returning from India to Burma were permitted to take out jewellery freely, and, in order to meet the needs of returning Indian nationals from Burma, the restriction on the exchange of Burma notes was removed, and the Reserve Bank undertook the exchange of the Reserve Bank of India Burma notes and B.M.A. notes without limit. The control of foreign exchange was taken over from the Reserve Bank by the Government of Burma from 1st April 1947.

Consequent on India's membership of the Fund and the fixing of the par value of the rupee, sterling has ceased to be the sole determinant of the external value of the rupee. The Reserve Bank of India (Second Amendment) Act, 1947 passed by the Central Assembly in April 1947, repealed sections 40 and 41 of the Reserve Bank of India Act which obliged the Bank to buy and sell sterling without limit at specified rates and replaced them by a section which requires the Bank to buy and sell foreign exchange at such rates and such terms as the Central Government may determine from time to time in conformity with its obligations as a member of the Fund.

Bullion Market.—With the trend towards relaxation by various countries of the war-time controls over movements of bullion, the market in Bombay became sensitive in the early part of the year to developments in the important bullion centres abroad, although the insistence by some of the principal sellers of bullion for payment in U.S. dollars exerted a restrictive influence on transactions. The movement of bullion prices which was till then upward reached a peak level in May 1946 exceeding that in other centres; but this was reversed temporarily in the first half of July 1946 with the partial restoration of commercial movements of bullion across national frontiers. During the two succeeding months of August and September, excepting for a temporary setback following the announcement on 11th August of a 50% reduction in the import duty on gold and silver, prices again evinced a distinctly upward tendency on all manipulations assisted on the one hand by the shortage of stocks relatively to demand and on the other by the raising of the U.S. Treasury's price from 71.11 cents to 90½ cents for domestic silver on 31st July 1946. By mid-October a reactionary tendency had set in once more on large arrivals from abroad and on expectations of further large arrivals, assisted by a number of other factors including the terms of the new contract as revised by the Exchange authorities on 14th September, the announcement by the British Government of their decision to demonetise silver, and the market's apprehension of possible official action to check the prevailing speculation. These factors helped to bring down the Bombay silver price below the level ruling in other foreign centres by the end of November, and some of the principal foreign sellers consequently switched over from Bombay to

other centres. With restricted supplies, the Bombay market once again resumed the bullish trend, which was later assisted by the higher prices at which London brokers were willing to sell as from December and the announcement by the Government of India of their decision to suspend with effect from 6th March, 1947 the issue of licences for private imports of bullion. Prices fluctuated widely both ways but the undertone of the market remained firm, the ready quotations of both silver and gold closing for the year higher than at the end of June 1946.

In the ready section silver which had closed last year at Rs. 172-2-0, declined to Rs. 150-4-0 by 16th July, after which it moved up, with occasional reactions, recovering to Rs. 172-14-0 by the end of September. Thereafter the rate tended to decline, touching Rs. 127-0-0 on 29th November—the lowest level for the year. Since December, the rate tended to move up and, despite temporary set-backs as in January 1947, the trend was upward the rate reaching Rs. 183-8-0 by 28th April. Thereafter it fluctuated between Rs. 160-12-0 and Rs. 180-10-0, closing for the year at Rs. 173-12-0. During the early part of the year, gold followed the trend in silver, the ready rate declining to Rs. 84-4-0 on 17th July. A recovery followed bringing the rate up to Rs. 99-13-0 by 10th August. Thereafter, apart from a sharp fall during mid-August as an immediate reaction to the reduction in import duty, the rate remained firm with fluctuations confined to a comparatively narrow range up to the end of December when a further rise was noticed, the rate touching Rs. 108-6-0 by 8th February. A sharp setback during the latter half of February brought the rate down to Rs. 95-6-0 on 24th of that month but thereafter the market remained very firm and despite occasional setbacks, the rate moved up to successive high levels, and, after touching Rs. 117-12-0 on 20th June, the highest on record, closed at Rs. 113-8-0 on 30th June.

In the forward section, increased speculative activity resulted at times in unsettled conditions, calling for intervention on the part of the authorities of the Bombay Bullion Exchange. A continued tussle between the 'bulls' and the 'bears' led to the institution of legal proceedings in November 1946 and again in April 1947. Forward trading had to be suspended from 24th November to 8th December and it has again come to a standstill since 10th April 1947, pending the formulation of a new contract. The question of regulating the bullion trade in the province has been taken up by the Bombay Government who have issued a questionnaire, inviting suggestions from persons and associations interested in bullion trade.

Government Loans.—The main features of the loan operations of the Central Government during the year consisted of the issue of two new loans, the redemption of the 3½ per cent Undated Rupee Paper and the repayment of the 3 per cent Defence Bonds 1946. The new loans including the conversion issues were generally well received with the exception of the 2½ per cent Loan 1954. The total borrowing, however, did not reach the target announced in the budget for 1946-47 owing mainly to changes in the market conditions.

On 1st August, 1946 the Central Government floated at par a new medium-dated loan for Rs. 35 crores, bearing interest at 2½ per cent per annum and repayable at par on 1st August, 1961; and on 5th August a special issue of Rs. 20 crores of this loan was created. On 15th November Government floated another loan for Rs. 35 crores at an issue price of Rs. 99-8-0 for every Rs. 100 nominal, carrying interest at 2½ per cent and repayable at par on 15th November 1954. As the loan was not fully subscribed, the balance remaining over the public subscription was taken up by Government and was subsequently sold on tap with effect from 27th November. The total amount raised during the accounting year through all new issues and sales of loans on tap was Rs. 60.82 crores.

A chief event affecting the financial markets was the conversion operation in respect of the 3½ per cent non-terminable loans (referred to in the previous year's report). Holders of these loans were offered facilities (from 15th August 1946 to 14th October, 1946) for the conversion of their holdings into two loans namely, the 3 per cent Loan 1956 or later, issued and repayable at par, and the 2½ per cent Loan 1976 issued at Rs. 99 for every Rs. 100 nominal and repayable at par. As against the total outstandings of Rs. 272.90

res on 31st May 1946, the amount tendered for conversion into the 3 per cent Loan, 1986, or Later and the $2\frac{1}{2}$ per cent Loan, 1976, totalled Rs. 247.27 crores and Rs. 14.60 crores respectively. Of the balance of Rs. 11.04 crores to be repaid in cash, the value of securities surrendered for payment upto 30th June 1947, came to Rs. 4.35 crores.

a result of the conversion operations the saving to the Government of India by way of reduction in interest charges will be of the order of Rs. 1.35 crores per annum.

The 3 per cent Defence Bonds, 1946, fell due for repayment 1st August 1946, and notice of redemption was given by the Central Government on 3rd July 1946. Of the total outstanding of Rs. 65.14 crores as on 31st July 1946, Rs. 63.83 crores were repaid upto 30th June 1947, the balance outstanding on that date being Rs. 1.31 crores.

On 2nd September 1946 two provincial Governments, namely Madras and the United Provinces, simultaneously issued medium-dated loans of the face value of Rs. 4 crores and Rs. 2.50 crores respectively at a uniform issue price of Rs. 100-8-0 for every Rs. 100 nominal, bearing interest at $2\frac{1}{2}$ per cent per annum and repayable at par on 1st September 1961. While the United Provinces Loan was oversubscribed, the Madras Loan (to which the provincial Government subscribed Rs. 25 lakhs from the funds under its control) was fully subscribed only after the transfer of subscriptions from the United Provinces Loan and after a call on underwriters for the balance not covered by public subscription.

Repatriation of Sterling Debt.—The transactions in respect of the repatriation of sterling stocks during the year related, during the previous year, to the repayment of the repatriated stocks not surrendered earlier. The total amount repatriated during the year amounted to £3,337,602 against which rupee counterparts aggregating Rs. 4,22,714 were created.

Conversion of Promissory Notes into Stock Certificates and Subsidiary General Ledger Accounts.—The scheme for the conversion of Promissory Notes into Stock Certificates and *vice versa* (both free of charge) introduced during 1942 continued to be in operation during the year. The amount converted and reconversion came respectively to Rs. 38.72 crores and Rs. 22.95 crores during the year, while the aggregate figures for the entire period beginning with 1st March 1942 up to the end of June 1947 amounted to Rs. 356.62 crores and Rs. 95.77 crores respectively. Institutional investors continued to avail themselves of the facility extended by the Bank since 1942 for holding their securities in Subsidiary General Ledger Accounts, and at the end of June 1947, 41.80 per cent of the total rupee debt was held in such Accounts.

Government Securities Market.—Except for a comparatively short period of boom in the early part of the year, the gilt-edged market ruled easy during the greater part of the year, and conditions, however, re-emerging towards the close. The Economic Adviser's index number of Government securities (1927-28=100) rose from 129.7 in June 1946 to 208 in August but thereafter almost continuously declined to a low of 117.4 in February 1947, after which there was a slight rise, the index standing at 117.9 in May. The average for the ten months ended May 1947, however, ruled higher at 100.3 as compared with 119.0 for the eleven months of the corresponding period in the preceding year. As regards the term of yields at the end of the year, while those on short-dated securities were generally lower than at the close of the previous year, the yields on medium and long-dated securities were a shade higher, although it is significant that all securities gave a yield below 3 per cent.

The sharp rise which took place in the first four months of the financial year followed the budget proposals for 1946-47 including the abolition of the E.P.T.). This was followed by the announcement of the redemption of the $3\frac{1}{2}$ per cent Paper on 24th May 1946, and the offer for conversion of the same into 3 per cent and $2\frac{1}{2}$ per cent Loans, maturing in 1986 or after and 1976 respectively, and the market became buoyant and continued to move upwards, prices reaching record levels between the latter half of July and the early part of August 1946. There was also the hiatus which occurred in Government's normal borrowing operations owing to the announcement of the conversion of $3\frac{1}{2}$ per cent Paper, as until that operation had been concluded large-scale borrowing could be proceeded with. This

pressure of money seeking investment, and the accommodation granted by a number of banks for speculative purposes tended to bring about a rise in security prices. This led to the expectation that a progressively cheaper money policy would be pursued which in its turn induced large-scale speculative purchases made with a view to reaping capital gains. But from the second week of August onwards a decline set in, with the realisation that the levels of prices reached were such as Government might be unwilling or unable to sustain and this trend was accelerated by such factors as the outbreak of communal disturbances in mid-August and the general uncertainty of the political situation which followed the disturbances. While this was the immediate cause of the decline, the levels that security prices had attained were the result of a combination of inflationary factors and indicated a vulnerable position. Owing to the general lack of confidence engendered by the political situation, investment demand was lacking and there was some withdrawal of funds from banks necessitating the sale of securities by the latter to replenish the cash reserves. Although this lack of confidence was mainly the product of political developments and could not be counteracted actively through monetary factors, the Reserve Bank supported the market on a substantial scale to help maintain security prices and stabilise the banking and financial structure generally at levels which there was a reasonable prospect of holding. This produced a steadying influence on the money market and the banking system; and at the close of the year a better tone came to be in evidence.

The 3 per cent undated Rupee Paper, which had closed at Rs. 100-0-0 on 29th June 1946, moved up to Rs. 100-10-0 on 25th July 1946, but steadily declined thereafter to reach a low of Rs. 100-8-0 by 17th February 1947. It tended to improve thereafter, fluctuating between Rs. 102-10-0 and Rs. 101-4-0 and closing at Rs. 101-14-0 on 30th June 1947. The 3 per cent Conversion Loan of 1946 which replaced the $3\frac{1}{2}$ per cent non-terminable loan reached the peak of Rs. 104-15-0 on 8th November, but declined thereafter until it came down to Rs. 100-2-0 on 26th May 1947. It steadied subsequently, closing at Rs. 101-2-0 at the end of June 1947.

In the terminable section the First Victory Loan, 1957, the 3 per cent First Development Loan, 1970-75, and the 3 per cent Funding Loan, 1960-65, after reaching Rs. 100-12-0, Rs. 106-15-0 and Rs. 100-8-0 on 25th July, 24th July and 24th July respectively came down to Rs. 101-6-0, Rs. 100-11-0 and Rs. 100-11-0 on 20th February 1947, but improved later, their closing quotations for the year being Rs. 102-15-0, Rs. 101-15-0 and Rs. 102-2-0 respectively. Of the short-dated loans, the $2\frac{1}{2}$ per cent Loan, 1950, after rising from Rs. 101-6-0 on 29th June 1946, to Rs. 101-15-0 during the middle of August, gradually declined to reach a low of Rs. 100-10-0 on 18th February 1947, but improved to Rs. 100-12-0 by 25th, remaining at that level till the close of the year. On the whole, provincial loans and rupee counterparts remained comparatively inactive.

Industrial Share Market.—The trend of the industrial share market corresponded generally with that of the gilt-edged, though the extent of fluctuations in the former has been larger. The Economic Adviser's general index number of prices of variable yield securities (1927-28=100) for the ten months ended May 1947, averaged higher at 201.2 as compared with 233.4 for the eleven months of the corresponding period of the previous year. But prices at the close of the year were much lower than those at the end of last year, the general index for May 1947, being 215.2 as compared with 280.9 for June 1946, representing a decline of a little over 25 per cent. The range of decline in the case of individual groups varied from 3.9 per cent in the case of tea shares to 34.3 per cent in the case of iron and steel shares.

The boom in industrial shares which developed after the presentation of the Central Government budget at the end of February 1946 was accelerated during July and August. Expectations regarding further cheapening of money, prospects of higher dividends during the year and accumulation of surplus investible funds in the hands of the public contributed greatly towards the development of the boom movement which reached its peak in August, the Economic Adviser's general index soaring to 314.9 from 280.9 in June. By the middle of August, however, the upward trend was arrested and a mild decline set in as a result of profit-taking and was later followed by a violent break in September, following the outbreak of communal disturbances in several parts of the

* Index for March not compiled.

country, the Economic Adviser's Index receding to 282.0 during this month. The decline was accentuated by other factors such as the widespread strike wave and the expectation that the interim Government would pursue anti-inflationary and anti-profiteering policies. But for a mild rally in January 1947, the downward trend of the market continued steadily till the end of February, when with the announcement of the new taxation proposals in the budget for 1947-48, share prices suffered a further heavy decline and the markets had to be closed for sometime to prevent a likely debacle. The market trend, however, continued to be easy till the end of May, when share prices reached further low levels, the Economic Adviser's index for this month being 215.2 as compared with 280.0 for June 1946, though in June 1947 it appeared as if the market had turned and prices recorded an upward trend.

The group of fixed yield industrial securities moved in line with the general index, rising from 200.5 in June 1946 to 204.0 in August but receding thereafter to a low level of 171.5 in May 1947.

Money Market.—Conditions prevailing in the money market in India during the year under report reflect a return to the pre-war pattern of alternating slack and busy seasons, which was submerged during the war under flood tide of money supply. The inter-bank call money rate at Bombay which was quoted at $\frac{1}{2}$ per cent at the end of last year eased to $\frac{1}{4}$ — $\frac{1}{2}$ per cent on 13th July, but with improved trade demand, increased activity on the stock exchanges and the desire of banks to maintain larger cash balances in view of the threatened strike of bank employees, the rate firmed up to $\frac{1}{2}$ — $\frac{1}{4}$ per cent on 21st August continuing at that level till November when it tended to ease. However, due to seasonal demand the rate steadied at $\frac{1}{2}$ per cent at which level it continued till the end of the year except for a brief period in March when it oscillated between $\frac{1}{4}$ and $\frac{1}{2}$ per cent. During the last three months of the year a larger supply of loanable funds was reported to be available but as the banks were following a cautious policy, there was no marked effect on the call money rate. The three and six months deposit rates which ruled at $\frac{3}{4}$ —1 and 1— $1\frac{1}{4}$ per cent respectively at the beginning of the year eased to $\frac{1}{4}$ — $\frac{3}{4}$ and $\frac{1}{2}$ —1 per cent respectively on 13th July, continuing at that level till September. On 7th September the three months rate firmed up to $\frac{1}{2}$ per cent and tended to rise thereafter by stages till March. First it rose to $\frac{3}{4}$ —1 per cent on 16th November, then to $\frac{1}{2}$ — $\frac{3}{4}$ per cent on 1st February and reached the maximum for the year at 1— $1\frac{1}{4}$ per cent on the 14th. It continued at that level till 8th March when it declined to $\frac{1}{2}$ — $\frac{3}{4}$ per cent but again improved to $\frac{3}{4}$ —1 per cent on 29th March, closing at the same level at the end of the year. The six months rate on the other hand continued to be quoted at $\frac{3}{4}$ —1 per cent. Till 16th November and rose thereafter to 1— $1\frac{1}{4}$ per cent. It moved up to 1— $\frac{1}{2}$ per cent on 21st December and to $1\frac{1}{4}$ — $1\frac{1}{2}$ per cent on 1st February, continuing at that level till 8th March when it eased to $\frac{3}{4}$ —1 per cent. However, from 29th March it improved to 1— $1\frac{1}{4}$ per cent and again to 1— $1\frac{1}{2}$ per cent on 17th May, remaining at that level till the close of the year. The twelve months rate ruled at $1\frac{1}{4}$ — $1\frac{1}{2}$ per cent throughout the year under review.

Scheduled Banks.—During the year under review, 7 banks were included in the second schedule to the Reserve Bank of India Act while 3 banks were excluded from the schedule of which 2 were amalgamated with other scheduled banks, thus bringing the total number of scheduled banks at the end of the year to 97. (The names marked with an asterisk in the list of scheduled banks appended to this Report indicate the additions to the schedule during the year). The usual inspection before inclusion was dispensed with in the case of one bank which appeared *prima facie* to satisfy the conditions laid down in Section 42(b) of the Reserve Bank of India Act. The other 6 banks were admitted to the schedule after an investigation of their affairs. Applications from 15 banks were under consideration at the end of the year. After the establishment of a separate currency authority by Burma, under the provisions of the Reserve Bank of India (Amendment) Act, 1947, the names of the three Burma Scheduled Banks were removed from the list of schedule banks.

The table given below compares the position of scheduled banks as on 28th June, 1946 and 27th June, 1947.

(In thousands of rupees)				
	28th June 1946	27th June 1947	Difference + or -	
1. Demand Liabilities in India.	7,08,85.06	6,07,25.69	11,59,8	
2. Time Liabilities in India.	3,11,48.04	3,16,11.56	-34,06,5	
3. Cash in hand in India.	17,43.36	41,77.43	2,65,93	
4. Balances with the Reserve Bank.	1,03,64.91	97,74.08	-5,90,82	
5. Advances in India.	3,54,10.00	4,13,04.09	+59,15,00	
6. Bills discounted in India.	19,84.36	15,10.16	-4,68,20	

Contrary to the trend noticed during the past few years the total demand and time liabilities of the scheduled bank did not maintain their continuous upward trend throughout the year. From Rs. 1,020.34 crores on 28th June, 1946 they reached an all-time high of Rs. 1,097.45 crores on 2nd November 1946, but receded thereafter and stood at Rs. 1,013.70 crores on 27th June 1947. The proportion of demand to total liabilities fell further from 69.47 per cent on 28th June 1946, to 65.82 per cent on 27th June 1947. Time liabilities increased by Rs. 34.97 crores over the previous year's figure, indicating gradual progress towards the pre-war pattern of bank deposits. This partly explains the decline in the scheduled banks cash in hand which had fallen from Rs. 47.43 crores on 28th June 1946, to Rs. 44.7 crores on 27th June 1947. The balances maintained by scheduled banks with the Reserve Bank at the end of the accounting year were also lower at Rs. 97.74 crores compared with Rs. 103.65 crores at the end of the previous year, the excess over the statutory minimum falling from Rs. 61.98 crores to Rs. 57.45 crores. Advances rose further from Rs. 354.50 crores on 28th June 1946, to Rs. 413.0 crores on 27th June 1947. The increase in the volume of advances was mainly due to expansion of the internal and external trade of India consequent on the relaxation for while of trade controls. The proportion of advances to bills discounted to total liabilities improved further from 36.69 per cent on 28th June 1946, to 42.30 per cent on 27th June 1947.

During the year under review, 25 banks including 2 co-operative banks approached the Reserve Bank of India for financial accommodation, the total amount of loans granted to these banks being Rs. 29.94 lakhs as compared with Rs. 3,30.96 lakhs advanced to twelve banks during the previous year.

The total number of offices of the scheduled banks including head offices, branches, pay offices etc. rose further from 3,45* on 30th June 1946 to 3,566† on 30th June, 1947, an increase of 421† against 430* in the previous year. 19 banks newly included in the schedule accounted for an addition of 78 offices. 67 new offices were opened at places which were not previously served either by a scheduled or a non-scheduled bank with capital and reserves of over Rs. 50,000.

Non-Scheduled Banks.—The total number of non-scheduled banking companies registered and working in India and submitting returns under Section 277L of the Indian Companies Act was 659 at the end of 1946 as compared with 631 at the end of 1945. Their total demand and time liabilities increased from Rs. 67.31 crores at the end of 1945 to Rs. 78 crores at the end of 1946, the ratio of cash to total demand and time liabilities declining from 12.0 per cent to 8.1 per cent.

During the course of the year, 2 non-scheduled banks were included in the list of banks approved for concession for remittances under Appendix III of the Reserve Bank Scheme of Remittance facilities introduced in October 1946. 2 banks were excluded from the list as they were admitted to the second schedule to the Reserve Bank of India and thus became eligible for better remittance facilities. One bank was deleted from the list as it ceased to

* Revised

† Provisional.

banking business in British India while names of 3 Burma banks were removed from it as the remittance facilities between India and Burma were withdrawn from 1st April 1947. The total number of non-scheduled banks and indigenous bankers in this list was 78 and 5 respectively at the end of the year as compared with 82 and 5 respectively at the end of the last year.

The additional facility of opening accounts with the Reserve Bank of India, afforded to the non-scheduled banks with effect from 15th February 1945, was continued during the year under report and applications of 6 non-scheduled banks and 2 co-operative banks were received during the year for opening accounts as against 13 last year. Two applications from the co-operative banks were accepted. Of the remaining, 4 were rejected and 2 were pending final disposal at the end of the year.

Withdrawal of Remittance Facilities to Burma.—As the Government of Burma established an independent Burma currency to be managed by a Currency Board from 1st April 1947, and the Reserve Bank of India was relieved of its obligations under the India and Burma (Burma Monetary Arrangements) Order 1937, the existing remittance facilities between India and Burma under the Reserve Bank Scheme introduced in October 1940 were withdrawn with effect from 1st April 1947.

Statistical Tables relating to Banks in India.—The compiled issue of the Statistical Tables relating to Banks in India and Burma covering the years 1944 and 1945 was published during the year under review. The work of compiling the issue for the year 1946 is in progress.

Operations of the Issue Department.—The balance sheet of the Bank as on 30th June 1947, together with the profit and loss account, has been supplied separately to the shareholders. To facilitate comparison, the profit and loss accounts for the preceding two years have also been incorporated.

The continuous and marked increase in the total of the balance sheet of the Issue Department, witnessed since the outbreak of the war, was replaced during the year by a moderate rise, the balance sheet total having increased only by Rs. 11.23 crores to Rs. 1,265.31 crores at the end of the year under review or by 0.90 per cent compared with 22 per cent and 8.9 per cent during the years 1944-45 and 1945-46 respectively.

On the liabilities side, notes in circulation stood at Rs. 1,223.55 crores showing a decrease of Rs. 13.32 crores, in contrast with an increase of Rs. 99.40 crores during the previous accounting year. The amount of notes in circulation fell from Rs. 1,236.87 crores on 30th June 1946, to Rs. 1,187.85 crores on 27th September 1946, owing mainly to the advent of the slack season and thereafter remained more or less steady round about Rs. 1,200 crores till the end of November 1946. As the busy season started, they rose again from December 1946 reaching Rs. 1,244.68 crores on 4th March 1947, but declined subsequently.

On the assets side, "Gold coin and bullion" continued unchanged at Rs. 44.42 crores at the statutory rate of valuation, namely, Rs. 21.3.10 per tola. Contrary to the trend noticed since the beginning of the war, the sterling securities did not register any increase but remained steady at Rs. 1,135.33 crores throughout the year under review. The percentage of gold and sterling securities to total notes issued fell to 93.24 as against 94.07 at the close of the previous year. "Rupee coin" which includes Government of India one rupee notes increased from Rs. 16.59 crores as at 30th June 1946 to Rs. 27.73 crores at the end of June 1947. The Bank received from the Central Government Rs. 5 crores of "Rupee coin" during the year in terms of sub-section (2) of section 36 of the Reserve Bank of India Act. "Rupee securities" remained practically unchanged at Rs. 57.84 crores throughout the accounting year under review.

Operations of the Banking Department.—The total of the balance sheet of the Banking Department fell from Rs. 617.94 crores as at 30th June, 1946 to Rs. 548.41 crores on 30th June, 1947 or by 11.25 per cent as against an increase of 45.09 per cent during the previous accounting year. This fall in the total of the balance sheet is mainly due to a decrease in "Central Government deposits" on the liabilities side and in "Balances held abroad" on the assets side.

The deposits of the Central Government fell by Rs. 66.73 crores to Rs. 390.70 crores. With the introduction of a

separate currency for Burma from 1st April, 1947 the item showing the deposits of the Government of Burma ceased to appear on the liabilities side of the balance sheet. The deposits of banks fluctuated widely between Rs. 111.06 crores for the week ended 5th July 1946 and Rs. 68.01 crores for the week ended 7th February, 1947 and stood at Rs. 88.91 crores at the end of the accounting year. Apart from the seasonal factor, unsettled political and economic conditions in the country seem to account for the fluctuations in the deposits. The improvement noticed latterly, however, has partly arisen from the refund of the E. P. T. deposits and partly from the support extended to the market by the Reserve Bank. On the assets side, "Balances held abroad" fell by Rs. 128.25 crores from Rs. 559.07 crores to Rs. 430.82 crores partly in response to the demand for funds for financing imports. Investments, however, rose by Rs. 36.15 crores from Rs. 30.79 crores to Rs. 66.94 crores.

Agricultural Credit Department.—The activities of the Agricultural Credit Department received the careful attention of the Board throughout the year. The Department continued to study the problems connected with the co-operative movement, land mortgage banks, debt legislation, regulation of money lending, warehouse legislation etc. with particular reference to the post-war period. The services of the Department were, as in the previous years, utilised by co-operative banks, Registrars of co-operative societies and Governments.

To encourage co-operative banks to make greater use of the facilities offered under our scheme of "Rediscounts for and Advances to Provincial Co-operative Banks" the rebate in the rate of interest was increased from 1 per cent to 1½ per cent in case of accommodation against bills or promissory notes drawn for financing seasonal agricultural operations or marketing of crops.

In response to a resolution passed by the Sixth All-India Co-operative Conference held at Lucknow in April 1946, we extended, in consultation with the Government of India and the Imperial Bank of India, the remittance facilities available to co-operative banks and societies in British India to similar institutions in Indian States also.

The Chief Officer of the Agricultural Credit Department was appointed as a member of the Agricultural Credit Organisation Committee set up by the Government of Bombay. He also attended the Fifteenth Registrars' Conference and the Seventh All-India Co-operative Conference held at Madras in May 1947.

Two provincial co-operative banks were sanctioned credit limits against bills or promissory notes drawn for financing seasonal agricultural operations or marketing of crops at a special concession rate of 1½ per cent below the Bank Rate. One of them was also granted accommodation against Government securities at the Bank Rate.

Department of Banking Operations.—The Department of Banking Operations continued to deal with all problems relating to scheduled and non-scheduled banks and to keep a close watch over their affairs. Among the more important activities of the Department may be mentioned the inspection of banks on behalf of the Central Government, the examination of their applications in terms of the Banking Companies (Restriction of Branches) Act, 1946, the examination of applications for issue of capital forwarded by Government for the Reserve Bank's opinion and in general the tendering of advice on banking and financial matters to banks and Governments. A brief account of the more important work done by the Department is given in the subsequent paragraphs.

With a view to decentralising the work of the Department and to cope efficiently with the heavy programme of bank inspections, a permanent branch of the Department of Banking Operations was established at Calcutta with effect from 1st October 1946. It is also proposed to establish shortly branches at Bombay, Madras and Delhi.

Banking Legislation.—It was mentioned in the last year's Report that the Central Legislative Assembly adopted a motion on 11th April, 1946 for reference of the Banking Companies Bill, 1946, to a Select Committee. Owing to constitutional changes, the Committee could not meet until 21st November, 1946. During its earlier sittings between 21st and 29th November, 1946, the Committee examined 17 witnesses most of whom represented interests connected with Indian banking. The Committee met again on 13th

January, 1947 and practically concluded its deliberations by 20th January, 1947. The final meeting was held on 8th February, 1947 when the Committee signed its report which was presented to the Legislative Assembly by the Honourable Finance Member on 17th February, 1947. Owing, however, to the very heavy legislative programme, the Bill could not be taken up for final consideration during the Budget Session of the Assembly. The changes made by the Select Committee in the Bill have been explained at length in the Bank's Report on Currency and Finance.

The Banking Companies (Restriction of Branches) Act, 1946—Pending the enactment of the Banking Companies Bill, the Banking Companies (Restriction of Branches) Act, 1946, was passed as an interim measure for controlling branch-banking. As stated above, the Select Committee on the Banking Companies Bill could not meet until 21st November, 1946 and in the meantime it was observed that a number of banks were opening branches, mostly at places where adequate banking facilities were already available, and were thus forestalling the provisions of the Bill relating to the control over branch-banking. In several cases it was found that the new branches worked to the detriment of the interests of the depositors by incurring heavy capitalised expenditure out of proportion to the resources of the banks, payment of high rates of interest on deposits, indulging in speculative activities to make up for the high cost, employment of untrained managers etc. As these developments were fraught with danger to the banking structure of the country, the Central Government introduced a Bill on 4th November, 1946 to restrict the opening and the change of location of branches of banking companies. The Bill which is based on clause 18(6) of the Banking Companies Bill, 1946, received the assent of the Governor-General on 22nd November, 1946 and became operative from that date.

Since the commencement of the Banking Companies (Restriction of Branches) Act, 1946, the Reserve Bank of India have disposed of 137 applications of which 67 were for opening 143 branches and 70 for changing the location of 84 existing branches. Licences have been granted to open 85 branches out of the 143 branches applied for and for changing the location of 79 branches out of the 84 branches in respect of which permission was sought.

Bank Inspections.—Prior to the promulgation of the Banking Companies (Inspection) Ordinance, 1946, the inspections of banks by the Reserve Bank were confined to those carried out under Section 42(6) of the Reserve Bank of India Act with the object of testing the eligibility of banks for inclusion or retention in the second schedule to the Reserve Bank of India Act. The scope of an inspection under the Banking Companies (Inspection) Ordinance, 1946, is much wider, covering as it does not only a quantitative assessment of a bank's paid-up capital and reserves, but also a qualitative assessment of its management, policy and methods of business from the point of view of the depositors' interests. It was therefore decided during the year that all inspections of banks incorporated in British India, including those for the purpose of testing the eligibility of banks for inclusion or retention in the second schedule to the Reserve Bank of India Act, should be carried out under the Ordinance. The Ordinance does not, however, apply to banking companies incorporated outside British India, and the inspection of such banks can only be carried out under Section 42(6) of the Reserve Bank of India Act.

During the year 19 banks were inspected under the Ordinance, and 4 under Section 42(6) of the Reserve Bank of India Act. The inspection of one bank was in progress at the end of the year under review. Reports on 9 out of 19 banks inspected under the Ordinance were forwarded to Government. Action in terms of the Ordinance was taken against two banks: one was prohibited from accepting fresh deposits at any of its offices, branches and agencies with effect from 13th January, 1947 while the other was refused admission to the second schedule. In the case of two banks, no action under the Ordinance was considered necessary as their affairs were found to be in order. The inspection reports on the remaining banks were under the consideration of Government at the end of the year under review.

Control of Capital Issues.—The control of capital issues originally promulgated on 17th May, 1943 under Rule 94-A of the Defence of India Rules was continued during the year, first under the Emergency Provisions (Continuance) Ordinance

1946 from 1st October, 1946 to 24th March, 1947, then under a special ordinance till 19th April, 1947 and finally under the Capital Issues (Continuance of Control) Act, 1947, which became effective from 19th April, 1947, and which is to remain in force for a period of three years. Originally intended as an anti-inflationary measure, the control is now sought to be exercised with a view to securing 'a balanced investment of the country's resources in industry, agriculture and the social services'.

During the eleven months ending with May 1947, sanction was given to 812 companies for an issue of Rs. 355.15 crores, the total number of companies permitted to issue capital at the amount sanctioned since the inception of the control in May 1943 being 5,046 and Rs. 681.26 crores respectively. The following table gives the group-wise distribution of companies.

(In crores of rupees)		
Classification	Number of Companies	Amount allowed
Industrial	2,528	408.1
Agricultural	353	24.3
Financial	723	107.24
Trade and Transport	1,090	111.8
Other Services	352	27.61
Total Non-Industrial	2,518	273.14
Grand Total (Industrial and Non-Industrial)	5,046	681.26

The Government of India continued to forward to the Reserve Bank of India, for opinion, applications received from the existing as well as proposed banking and insurance companies for issue of capital. Since the inception of the control opinion has been furnished on 1,310 applications of which 1,017 related to banking and 293 to insurance companies.

Department of Research and Statistics.—Consequent upon the departure in August 1946 to America of Mr. J. V. Joshi O.B.E., Economic Adviser to the Reserve Bank of India to take up his new appointment as an Executive Director of the International Monetary Fund, Mr. B. R. Shenoy, Director of Rural Economics, was appointed Director-in-Charge of the Department and continued to discharge his duties in that capacity in addition to his duties as Director of Rural Economics.

Dr. B. K. Madan, whose services had been placed on deputation with the Government of India as Deputy Secretary to the Tariff Board from the 15th December, 1945 relinquished that office on his appointment as Alternate Executive Director of the International Monetary Fund, and left for America in August to take up the new appointment.

The Department of Research and Statistics commenced publication from January 1947 of a monthly economic and financial journal entitled "The Reserve Bank of India Bulletin."

The Division of Monetary Research issued early in January 1947 the "Statistical Tables relating to Banks in India and Burma for the years 1944 and 1945". The work in connection with the Tables for the year 1946 has been taken up, and proposals to revise the "Tables" so as to further improve its utility to the public are being considered. The results of the first survey of ownership of the demand deposits of scheduled banks referred to in the last year's report, were published in the form of an article in the February 1947 issue of the Bank's monthly Bulletin. A second survey has since been undertaken. Studies made by the Division during the year include (i) Regulation of the Stock Exchanges in India, (ii) New Capital Issues in India, (iii) Cheap Money Policy, (iv) Exchange Revaluation by Canada and Sweden, (v) Exchange Stabilisation Funds, (vi) The Exchange value of the Rupee, (vii) Anti-Inflationary Measures in European Countries, (viii) Nationalisation of the Reserve Bank of India and (ix) Full Employment. Some of these have also been published in the Bank's monthly bulletin. In order to comply with the request of the International Monetary Fund for information relating to India's Balance of Payments and International Investment position etc., under Article VII (Section 5) of the Articles of Agreement of the 'Fund', and also to perfect our own knowledge of the country's balance of payments position, a beginning has been made in the

Division of Monetary Research to organise the collection, analysis and study of the data relating to the country's balance of Trade, the invisible items in its International accounts, etc. As apart from the monetary balance of Trade, no accurate estimates are available in regard to the visible items catering into the balance of Payments statistics, a practical start has to be made in the formation of an organisation and conduct of surveys in connection with information on the various items involved. In order to be equipped with the knowledge of the latest methods and technique adopted in foreign countries in the compilation and study of International Accounts, two of our officers, the Offg. Director of Monetary Research and the Statistician have been deputed to the United States of America, so that on their return they may initiate and conduct the necessary surveys for drawing up reliable estimates for the several items comprising India's Balance of Payments. The Division has so continued to carry on its routine duties of preparing the various Reports in addition to its share of the work in producing the monthly bulletin.

The Division of Statistics continued to compile the Bank's monthly Statistical Summary upto November 1946. Thereafter, with the amalgamation of the publication in a much enlarged form with the newly started Reserve Bank of India Bulletin in January, 1947 the Division has been responsible for compiling the statistical portion of the Bulletin. Checking of the yield sheets, preparing a quarterly note on the war-time changes in industrial share values and supplying statistical data to other departments of the Bank and Government constitute the rest of the routine work of the Division. Among the Index Number Schemes undertaken by the Division, that regarding wholesale prices has been analysed. Arrangements have been made to get about 300 quotations regularly every month. In this connection, the Division had to contact the Central and Provincial Governments as well as the various Chambers of Commerce to acquaint them with the work undertaken by us and to secure their co-operation. The preliminary work in connection with the construction of Index Numbers of Security Prices and Industrial Production is also being completed. As regards the Index Number of Industrial Profits, about 550 balance sheets of companies have so far been received, and their analysis will be taken up shortly. At the instance of the Government of India, the Division undertook the analysis of over 1½ lakhs of declaration forms tendered by the public for exchanging demonetised high denomination notes. All the forms received upto December 1946 have been analysed with the aid of the punch card system, and summary tables have been supplied to the Government. A part of the information has also been published in the Report on Currency and Finance for the year 1946-47. The Division also completed an enquiry into the family budgets of the Bank employees. But as the returns were called for on a voluntary basis the response was very poor and even among the returns received many proved to be fictitious. Attempts are also being made to investigate into the applicability of sampling methods in the field of bank inspection. The studies made by the Division during the year were (1) classification of scheduled banks as per balance sheet pattern, (2) war-time variation of commodity prices, (3) life of one rupee notes and (4) sampling methods for estimating the rural indebtedness of the Bombay Province. The Director was deputed to attend the Indian Agricultural Economic Conference and the Indian Science Congress. The Statistician was deputed to attend the joint session of the Indian Academy of Sciences and National Academy of Sciences.

The Division of Rural Economics is now, engaged, among other things, in the preliminary work of sampling preparatory to embarking upon a survey of rural indebtedness in the Bombay Province on the basis of the information contained in the documents presented to the Debt Adjustment Boards or to the Civil Courts which, by a recent legislation, have been directed to take over the work of scaling down agricultural debt originally entrusted to these Boards. In this connection, the Director of Rural Economics, along with an officer of the Division, visited the Debt Adjustment Board at Pandharpur with a view to gaining an idea of the dimensions of the task and also to obtain first hand information about the working of the Boards. This was followed by the collection of certain essential basic data for sampling by our own men who were deputed for the purpose to some of the existing

Boards, one Board each being selected from the several economically homogeneous regions into which the province was divided. This data is now being subjected to the necessary statistical analysis for sampling by the statistician attached to the Division. The Division has also under active consideration the question of associating with the Gokhale Institute of Politics and Economics in the socio-economic survey of the Bombay-Deccan, which the Institute has undertaken, and also of conducting on its own (i) a survey of agricultural costs in a selected village and (ii) a comprehensive and thorough rural credit survey of a suitable taluka in the Bombay Province. In view of the inherent difficulties of the task, the cost survey would be in the nature of an experimental measure, the object of the rural credit survey is a critical review of the origin, growth and the present position of the co-operative movement in the background of the actual needs of the rural community and the alternative sources of credit. The Division has undertaken the preparation of Review of the Co-operative Movement in India for 1945-46. The work on this is being given priority to enable its early publication. The Division has been occupied besides with the preparation of studies on several subjects of importance to the rural economy such as the marketing of agricultural products, rural insurance, war-time developments in the agricultural economy and agricultural co-operation, post-war plans of provincial governments, rural indebtedness, problems of rural credit, and the world food shortage. Among the studies completed in the Division may be mentioned a note on "Some Financial Aspects of the Stabilisation of Agricultural Prices in India", which deals with the relevant recommendations of the Prices Sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries. The Director of Rural Economics attended the meetings of (i) the Marketing Sub-Committee, one held at Delhi on 10th and 11th July, 1946 and the other at Simla on 4th to 7th Sept. (ii) the Trade Policy Committee held at Delhi on 19th and 20th Sept. 1946 (iii) the Seventh Annual Conference of the Indian Society of Agricultural Economics and (iv) the 29th Session of Indian Economics Conference, both held at Karachi towards the close of the year 1946, (v) the All-India Co-operative Conference held at Madras on 10th and 11th May, 1947 and (vi) the Fifteenth Registrars Conference held at Madras from 12th to 14th May, 1947.

Sterling Assets.—The sterling assets of the Reserve Bank registered a decline by Rs. 128.25 crores during the accounting year as against a net increase of Rs. 271.93 crores in the previous twelve months. This reversal of the rising trend which was in evidence for some years was partly brought about by the disappearance of factors such as Government's war expenditure and purchases of stores on account of Allied Governments, and partly by larger imports particularly of food grains and fertilisers, stores and equipment on Government account. This also presumably reflects, as stated by the Finance Member in his budget speech for 1947-48, some repatriation of British capital from India. The total holdings in the Issue and Banking Departments as on 30th June, 1947 amounted to £1174.61 million or Rs. 1566.15 crores, which are maintained in the form of cash and investments in short term British Government securities renewed from time to time. The sterling balances constitute about the entire foreign exchange reserve of this country, accumulated at the cost of great sacrifices borne by India, in order to assist the United Kingdom and her allies during the war, in addition to what was considered her own fair share of the war effort. India looks forward to an early settlement of these balances on which she depends for the purchase of capital equipment required for her development schemes and for meeting any deficit in her balance of payments. In pursuance of the assurance given by the Finance Member in the Legislative Assembly that the negotiations for the settlement of the sterling balances would be started as early as possible, and the commitment of the United Kingdom to an early settlement, preliminary talks of an exploratory nature were conducted between the officers of the Finance Department and the Reserve Bank on the one hand and those of the British Treasury and the Bank of England on the other. These discussions were to have taken place on a more formal basis in June but had to be postponed in view of constitutional developments.

Empire Dollar Pool.—The Government of India's position vis-a-vis the Empire Dollar Pool and the Post-war Dollar Fund, and certain aspects of the import policy of the Govern-

ment were explained in a communique issued by Government on 7th October, 1946. Since the beginning of the war unto 31st March, 1946, India earned dollars aggregating Rs. 405 crores, while she spent during the same period Rs. 240 crores, leaving a net surplus of Rs. 114 crores, after taking into account Rs. 51 crores representing the excess of total expenditure over earnings in other hard currency countries, viz., Canada, Sweden, Switzerland and Portugal. Taking into account the unfavourable balance with hard currency countries to the extent of Rs. 22 crores during the period April 1946 to March 1947, India's net earnings of the currencies of these countries during the period September 1939 to March 1947 amounted to Rs. 92 crores. With the altered conditions brought about by the termination of the war, Government have also modified their import and exchange control policies introducing a measure of flexibility in the administration of these controls, in order that currency considerations may not hinder the procurement of capital equipment required for the economic development of the country.

In view of India's large contribution to the Empire Dollar Pool and her willingness to agree to give reciprocal aid to the United States, a separate Fund known as the Post-war Dollar Fund was set up, to which a sum of \$20 million, was credited for the year 1943-44 representing a percentage of India's dollar earning on trade account in that year and a similar sum was credited for the subsequent year on the same basis. This contribution was to be utilised after the conclusion of hostilities with Japan for restocking and capital expenditure in the United States. The extent of India's purchases was not limited by the amount in the Fund, for she had the right to draw on the Pool for all capital goods the import of which was considered legitimate. As against the total amount in the Fund of \$40 million, liabilities were entered into in excess of the amount; the actual sum expended upto 30th August, 1946, however, was only \$3 million.

In the course of his budget speech for 1947-48 the Finance Member stated that the termination of the Empire Dollar Pool was inextricably linked to the over-all final settlement of the issue of sterling balances; the question of dissolution of the Pool formed a part of the negotiations with the British delegation for the settlement of sterling balances.

The International Monetary Fund and the International Bank for Reconstruction and Development—The period under review witnessed the commencement of operations of the International Monetary Fund and the International Bank for Reconstruction and Development. With the fixation of 25th June, 1946 as the date for the formal commencement of the operations of the International Bank, the first 2 per cent of the subscriptions of each member became payable by 24th August, 1946. The third Interim Report of the Select Committee of the Central Legislative Assembly on Brettonwoods submitted on 29th July, 1946 recommended the payment of that portion of the subscription without the payment of which India would commit default to the Bank but left the question of India's membership of the Fund and the Bank to be decided by the Legislative Assembly, and, in October 1946, the Assembly, while approving the payment of India's subscription to the Bank, approved also the continued membership of the Fund and the Bank. During the year, 20 per cent of India's subscription to the bank amounting to \$80 million was paid, the first instalment of 2 per cent being in U.S. dollar and the rest in rupees.

In September 1946, the members of the International Monetary Fund were notified to communicate to the Fund, within thirty days, the par value of their currencies expressed in gold or U.S. dollars and based on the rates of exchange that prevailed sixty days before the Fund Agreement came into effect. The Government of India invited proposals and comments on the appropriate rate for the rupee from interested bodies and persons, and finally decided that the existing par value which works out to Rs. 330.852 per \$100 or 4.145142857 grains of fine gold per rupee should be maintained.

On 18th December, 1946, the schedule of par values of the currencies of member countries was announced by the Fund. India was called upon to pay its subscription of \$400 million by 1st March, 1947. Under the rules of the Fund, the 'gold' subscription had either to be 25 per cent of a country's quota or 10 per cent of its net official holdings of gold and U.S. dollars, whichever was less. As the latter was the lower figure in India's case, gold to this value was

transferred to the Fund. Of the rupee subscription, certain amount was credited to the Fund's account with the Reserve Bank, the balance being issued in the form of non negotiable, non interest-bearing promissory notes convertible on demand into rupees by crediting the par value to the Fund's account. On receiving the members' subscription the Fund announced its readiness to commence operation from 1st March, 1947.

Economic perspective.—The last two years following the termination of hostilities have seen the nations of the world bending their energies towards stabilising their internal economies with varying degrees of success; and the major problem of harmonising the claims of individual nations with the demands of an international economic order is being tackled both through the negotiations now going on at Geneva for evolving an International Trade Organisation, and through the commencement of operations of the two Brettonwoods institutions at Washington, the latter being an important step in the direction of organising international co-operation in the financial sphere. As regards the discussions relating to problems of trade, there have been developments which make one less optimistic now than when discussions were first mooted on the basis of the draft Trade Charter prepared by the United States and, again, when at the first session of the Preparatory Committee in London, October 1946, at the instance of some of the less developed countries a new chapter was added to the original draft proposals suggesting that the industrial development of backward countries is one of the aims of the International Trade Organisation. While these discussions on the Trade Charter and negotiations for tariff reductions are still taking place the actual developments in a number of countries outside the U.S.A. in respect of their foreign exchange holdings and the holding of dollars in particular, have necessitated resort to import and trade controls of a restrictive character contrary to the spirit and aims of the international trade charter which seek to maximise International exchange and improve the standards of living in the various countries. Internationally in most countries the post-war years did not bring about the much dreaded price recession following the termination of war time public expenditure; and inflationary conditions have come to prevail, prices in many countries uprending in the wake of short supplies of many goods relative to demand and the utter confusion into which the ravages of war on the one side and the post-war labour problems on the other have thrown the machinery of production. Rising costs have prevented the supply side from responding to the needs of demand. These various difficulties, common in different degrees to most countries, have been present in an acute form in our own country. This condition is the outcome of the utter disorganisation in the country's economy, which though not subject to the actual ravages of war, has suffered no less under the strain of having to provide a volume of rearmament in the form of war supplies out of proportion to the country's ability and the already low levels of production and living standards. The legacy of inflation which this has left behind has derived further stimulus from the rising price levels in the other countries abroad and has raised many challenging problems of wage stabilisation, food supplies, price control, controls over exports, imports and speculation, all of which vie with each other in demanding urgent solutions, which still remain to be found. Superimposed on this is the experience of the many months of anxious communal strife and the dislocation which followed these disturbances, in the country's normal economic activity. The recent constitutional and political developments have added further to the many uncertainties in the situation and rendered the problem of reconversion and the building up of the country's economy less easy of accomplishment. But for the hope that a speedy resolution of the constitutional problem might leave Government strong and ready to deal with urgent problems, the economic situation remains bleak and more full of problems and challenging solutions than was the case ever, even during the anxious years of war.

The most urgent and serious problem that will claim the attention of the two States as soon as they settle down to the real job of governance is that of the all-pervading corruption that is destroying the vitals of public life generally and the administrative machine in particular. Unless this corrosive influence is countered rapidly and relentlessly, controls will deteriorate progressively into handicapping

the poor and law abiding members of the community, and all talk of a planned development will have to be abandoned. Another problem, equally clamant, is that of increasing agricultural and industrial production, particularly that of food, in order to arrest the progress of inflation characterised by wages and prices chasing each other. Indeed, the augmentation of the produce of the country's food crops by an adequate extent would seem to be the indispensable condition for its survival as a solvent unit. If the cost of living is not reduced to a reasonable figure and if further deterioration in the economic condition of the middle class and the other poorer sections of society with fixed incomes is not stopped, any kind of planned industrialisation will prove impossible of achievement. There seems little doubt now that the severity of the last budget is defeating its own purpose and is hindering the formation of capital for productive purposes. Unless correctives are applied without delay, there is a danger of the very foundations of society and the economic life of the country being undermined by decaying penury and despair.

By Order of the
Central Board of Directors,
C. D. DESHMUKH, Governor.

APPENDIX SCHEDULED BANKS

1. Ajodhya Bank	9. Bank of Baroda
2. Allahabad Bank	10. Bank of Bihar
3. American Express Co. Inc.	11. Bank of Bikaner
4. Andhra Bank	12. Bank of China
5. Associated Banking Corporation of India	13. Bank of Commerce
*6. Australia Bank	14. Bank of Communications
7. Banco Nacional Ultramarino	15. Bank of Hindustan
8. Bank of Assam	16. Bank of India
	17. Bank of Jaipur

18. Bank of Maharashtra	56. Jwala Bank
19. Bank of Mysore	57. Karnani Industrial Bank
20. Bank of Nagpur	58. Kumbakonam Bank
*21. Bankers' Union	*59. Lakshmi Commercial Bank
22. Bar Hill Corporation (Bank)	60. Laxmi Bank
23. Bank of Central Bank	61. Lloyds Bank
24. Bharat Bank	62. Mahalaxmi Bank
*25. Bhartha Lakshmi Bank	63. Mercantile Bank of India
26. Calcutta Commercial Bank	64. Nadar Bank
27. Calcutta National Bank	65. Narang Bank of India
28. Canara Bank	66. Nath Bank
29. Canara Banking Corporation	67. National Bank of India
30. Canara Industrial and Banking Syndicate	68. National Bank of Lahore
31. Central Bank of India	69. National City Bank of New York
32. Chartered Bank of India, Australia & China	70. National Savings Bank
33. Comilla Banking Corporation	71. Nedungadi Bank
34. Comilla Union Bank	72. Netherlands India Commercial Bank N.V.
35. Comptoir National D'Escomptes de Paris	73. Netherlands Trading Society
36. Dacca Bank	74. New Bank of India
37. Dacca Bank	75. New Citizen Bank of India
38. Dacca Bank of India	76. Noakhali Union Bank
39. Eastern Bank	77. Oriental Bank of Commerce
40. Exchange Bank of India & Africa	78. Oudh Commercial Bank
41. G. L. Bank	79. Pali Central Bank
42. Grindlays Bank	80. Pioneer Bank
43. Habib Bank	81. Prabhat Bank
44. Hind Bank	82. Pratap Bank
45. Hindustan Commercial Bank	*83. Presidency Industrial Bank
46. Hindustan Mercantile Bank	84. Punjab & Sind Bank
47. Hongkong and Shanghai Banking Corporation	85. Punjab Co-operative Bank
48. Houghly Bank	86. Punjab National Bank
49. Imperial Bank of India	87. Southern Bank
50. Indus Bank	88. South India Bank
51. Indian Overseas Bank	*89. South Indian Bank
52. Indo Commercial Bank	90. Tanjore Permanent Fund
53. Indo Mercantile Bank	91. Traders' Bank
*54. Indo-Siam Bank of Western India	*92. Travancore Bank
55. Indus Commercial Bank	93. Tripura Modern Bank
	94. Union Bank of India
	95. United Commercial Bank
	96. United Industrial Bank
	97. Universal Bank of India

*Included in the second schedule during the year ended June 1947

RESERVE BANK OF INDIA

Balance Sheet as at 30th June 1947

ISSUE DEPARTMENT

LIABILITIES		ASSETS	
Notes held in the Banking Department.	41,78,42,845 0 0	A. Gold Coin and Bullion :—	
Notes in circulation	12,23,54,99,132 8 0	(a) Held in India	44,41,44,701 1 3
Total notes issued	12,65,31,41,977 8 0	(b) Held outside India	Nil
		Sterling Securities	11,35,32,89,317 1 4
		Total of A	11,79,74,34,018 2 7
		B. Rupee Coin	27,72,94,617 15 11
		Government of India Rupee Securities	57,84,13,341 5 6
		Internal Bills of Exchange and other Commercial Paper.	Nil
Total Liabilities Rs.	12,65,31,41,977 8 0	Total Assets Rs.	12,65,31,41,977 8 0

Ratio of Total of A to Liabilities : 93.237 per cent.

BANKING DEPARTMENT

LIABILITIES		ASSETS	
Capital paid up	5,00,00,000 0 0	Notes	41,78,42,845 0 0
Reserve Fund	5,00,00,000 0 0	Rupee Coin	8,77,017 0 0
Deposits :—		Subsidiary Coin	1,35,260 3 5
(a) Government		Bills Purchased and Discounted :—	
(1) Central Government of India	3,90,70,40,476 10 0	(a) Internal	Nil
(2) Other Government Accounts	17,99,57,040 2 5	(b) External	Nil
(b) Banks	88,90,79,801 9 7	(c) Government Treasury Bills	2,43,58,132 8 5
(c) Others	30,98,49,083 11 5	Balances held abroad*	4,30,82,08,002 13 2
Bills Payable	1,92,28,555 4 3	Loans and Advances to Governments	5,11,00,000 0 0
Other Liabilities	7,91,78,329 14 11	Other Loans and Advances	2,95,000 0 0
Total Liabilities Rs.	5,48,41,29,267 4 7	Investments	60,93,83,045 4 0
		Other Assets	1,21,33,984 7 7
		Total Assets Rs.	5,48,41,29,267 4 7

*Includes Cash and Short-term Securities.

REPORT OF THE AUDITORS

To THE SHAREHOLDERS OF THE RESERVE BANK OF INDIA.

We, the undersigned Auditors of the Reserve Bank of India, do, hereby report to the Shareholders upon the Balance Sheet and Accounts of the Bank as at 30th June, 1947.

We have examined the above Balance Sheet with the Accounts, Certificates and Vouchers relating thereto of the Central Office and of the Offices at Calcutta, Bombay, Madras and with the Returns submitted and certified by the Managers of the other Offices and Branches, which Returns are incorporated in the above Balance Sheet, and report that where we have called for explanations and information from the Central Board such information and explanations have been given and have been satisfactory. In our opinion, the Balance Sheet is a full and fair Balance Sheet containing the particulars prescribed by, and in which the assets have been valued in accordance with, the Reserve Bank of India Act, 1934, and the Regulations framed thereunder and is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of our information and the explanations given to us, and as shown by the Books of the Bank.

S. B. BILLIMORIA & Co.,
P. K. GHOSH,
SASTRI & SHAH,

} Auditors.

Dated the 16th July 1947.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 1947

		Rs.	A.	P.
INCOME				
Interest, Discount, Exchange, Commission, etc.		10,12,43,511	15	11
		10,12,43,511	15	11
EXPENDITURE				
Establishment		1,09,94,316	1	3
Directors' and Local Board Members' fees and expenses		68,846	14	0
Auditors' fees		22,500	0	0
Rent, Taxes, Insurance, Lighting, etc.		4,07,213	13	1
Law charges		14,311	3	6
Postage and Telegraph charges		1,34,631	4	8
Remittance of Treasure		10,90,598	7	7
Stationery, etc.		2,63,587	1	1
Security Printing—(Cheque, Note Forms, etc.)		38,26,058	13	2
Depreciation and Repairs to Bank's property		3,22,107	3	11
Agency charges		28,91,081	6	7
Contributions to staff and superannuation funds		84,200	0	0
Miscellaneous expenses		8,98,749	11	2
	Net available balance	8,02,27,309	15	11
		10,12,43,511	15	11
Amount set aside for payment of dividend at the rate of 3½% per annum		17,50,000	0	0
Amount transferred to the Reserve Fund		Nil		
Surplus available for payment of an additional dividend at the rate of ½ per cent.		2,50,000	0	0
Surplus payable to the Central Government		7,82,27,309	15	11
	Balance carried forward	Nil		
		8,02,27,309	15	11

RESERVE FUND ACCOUNT

By balance on 30th June 1947	5,00,00,000	0	0
By transfer from Profit and Loss Account	Nil		
Total Rs.	5,00,00,000	0	0

K. P. R. MENON,
Chief Accountant (Offg.)

C. D. DESHMUKH, Governor.
C. R. TREVOR,
M. G. MEHKRI,
} Deputy Governors.
K. G. AMBEGAOKAR, Secy.